# FEDERAL ENERGY REGULATORY COMMISSION

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## NEWS RELEASE


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**FOR IMMEDIATE RELEASE**
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### COMMISSION SIGNALS NEW REGULATORY APPROACH IN LOUISIANA LNG PROJECT

The Federal Energy Regulatory Commission today signaled it will set a different policy in regulating new liquified natural gas (LNG) projects where markets are competitive and other criteria are met. The approach is expected to remove economic and regulatory barriers to the development of onshore LNG import terminals.

In a preliminary determination to approve the Hackberry LNG project in Louisiana, the Commission said it would not require Commission-approved cost-based rates nor an open access tariff for the new LNG terminal service because its sponsors will bear the full economic risk of the project and customers will not be adversely affected by the project's costs.

The Commission expressed hope that eliminating such certain regulatory barriers will encourage more LNG site development and warned that this will not affect its jurisdiction of the project.

A preliminary determination does not grant an applicant authorization to proceed with a project. The Commission will consider siting authority for the terminal and a certificate for the pipeline only after the FERC staff has concluded a thorough environmental, engineering, and safety analysis of the project.

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The Commission agreed to a fresh approach for new LNG terminal services proposed by Hackberry, which requested authority to construct and operate its project under Section 3 of the Natural Gas Act. Viewing the proposed plant as similar to a production facility, the Commission noted that sales of the natural gas from the LNG plant would be made in competition with other sales of natural gas in the Gulf Coast region in a deregulated competitive commodity market.

"The public interest is served through encouraging gas-on-gas competition by introducing new imported supplies of natural gas which will be accessible to all willing purchasers," the Commission noted in its order.

The Commission's policies evolved from a recent public conference on the status of the natural gas industry, held October 25, 2002. LNG industry representatives argued that the Commission's open season and open access requirements potentially deter investment in new LNG facilities in the United States. The participants argued that investors need assured access to terminal capacity and that this could not occur under FERC's open season bidding requirements. Further, they argued, many foreign governments would not approve LNG export projects under existing conditions.

Hackberry LNG proposes to site, construct and operate an LNG terminal near Hackberry, Louisiana, under Section 3 of the Natural Gas Act. The company also requests Section 7 NGA authority to construct and operate a 35.4-mile pipeline from the LNG terminal to a compressor station in Beauregard Parish, Louisiana, that is owned and operated by the Transcontinental Gas Pipe Line Corp.

The Commission made a preliminary ruling that there is no regulatory need to impose a tariff and a rate schedule for LNG terminalling service as a condition for approving the project. Therefore, if construction and operation of the terminal is authorized, Hackberry may provide LNG terminal services to Dynegy Marketing & Trade, its only customer and an affiliate, and any other prospective customer at the rates, terms and conditions negotiated and agreed to among the parties. This approval is subject to the condition that Hackberry file its contract with its affiliated customer prior to commencement of construction of the LNG facility. The Commission would impose standard tariff and rate schedules for the proposed pipeline.

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